

The Impact Realignment of the Naval Air Station in Brunswick Combined with the Slowing Rate of Naval Ship Building at Bath Iron Works Would Have on the Local Labor Market

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The adjoining towns of Brunswick and Bath, Maine have a long history of service to the United States Navy. The Naval Air Station and Bath Iron Works, which has been building fighting ships for more than 100 years, are each among the largest, most important employers in the state. The two form the economic backbone of a broad geographic region. The plan to realign NASB, combined with layoffs at BIW resulting from reductions in the number of annual contract awards for the DDG-51 destroyer program and delays in the commencement of building the next generation DDX, could devastate the economy of a region that has proudly served the Navy as well as any in the nation.

Realignment of NASB

Realignment of NASB would displace just 61 civilian workers. But the removal of 2,317 military personnel, along with their spouses and children, would result in a population loss in the area of perhaps 4,500 to 5,000. The bulk of the population loss will be in Brunswick and Topsham, where base housing is located and the majority of Navy personnel reside. The combined population of those towns is just 31,200.

Such a dramatic loss in population will have an obvious adverse impact on local demand for goods and services. The State Planning Office estimates that the direct impact of job and earnings losses will total 2,461 jobs and \$69.5 million in earnings. The indirect impact will be an additional 2,194 jobs and \$65.4 million in earnings. Many of the retailers in the Cooks Corner area, one of the largest retail districts in the state located just outside the base, will struggle and some are likely to close. Much of the indirect job loss impact will be concentrated in that relatively compact area.

The impact on the local housing market will be extreme. The stock of base housing has been upgraded significantly in recent years, making it more appealing to Navy personnel. Since the upgrades, some landlords report a significant weakening in the local rental market. The prospect of perhaps 2,000 housing units being vacated in a very short period of time will drive down rents and cause the vacancy rate to spiral. Furthermore, a sizeable number of Navy families own homes in the area and most would be forced to sell. The prospect of a large number of homes being dumped on the market at a time when demand for both rental and ownership housing was plunging is likely to drive the value of the local housing stock downward. With home equity being the largest asset of the majority of families, virtually all home owners in the region will suffer a decline in their overall financial state.

Workforce Reductions at Bath Iron Works

In contrast to the realignment of NASB where the impact on housing demand and retail is particularly dramatic because of the concentration of Navy personnel in a relatively small geographic region, the impact of workforce reductions at BIW is a concern due to the wide geographic region from which people commute to work at one of the highest paying employers in the state.

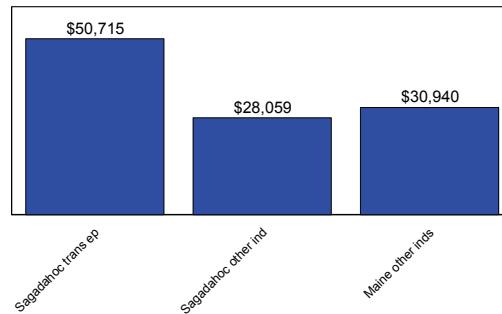
Reductions in the number of contracts the Navy has been awarding annually for building DDG-51 destroyers has resulted in net job losses of 1,100 at BIW in the last four years, 675 of which came in the last year. Recent unemployment compensation claims data illuminate the issue of the dispersion of the region impacted by workforce reductions at the yard. In the 12 months ending June 15, 2005, there were 549 claims for unemployment compensation by displaced BIW workers. Administrative records indicate that those workers lived in 106 different towns, several more than 50 miles from Bath. Additionally, figures from the 2000 Census indicate that people commuted from 173 Maine towns and cities to work in Bath. With no other employers of substantial size offering the attractive pay levels that would entice long commutes, it is clear that most of those commuting more than a few miles do so to work at BIW.

With the DDG-51 program winding down and the production schedule of the DDX delayed, there is a great deal of uncertainty overhanging BIW's 5,600 workers. The yard is in for some lean years that are likely to result in significant layoffs.

Industry Structure of Employment and the Regional Job Outlook

BIW employs some of the most skilled welders, pipefitters, marine electronics technicians, and other tradesmen, as well as marine drafters, planners, and other professionals in the world. As such, they command some of the best wages and salaries in the state. In the year ending in March, 2004, Census data indicates the average wage in Sagadahoc County in the transportation equipment manufacturing industry (BIW accounts for virtually all of those jobs) was \$50,715. The comparable average wage in all other industries (excluding transportation equipment) was \$28,059 in Sagadahoc County and \$30,940 statewide.

Average earnings are substantially higher in Sagadahoc County transportation equipment manufacturing than in other industries in the county and statewide



While the high-level knowledge, skills, and experience of the tradesmen and professionals at BIW are of great value in naval shipbuilding, there are virtually no other industries demanding those attributes, none in large numbers. And the outlook for those displaced workers is not good. The Maine Department of Labor's employment projections to 2012 expect the number of manufacturing and heavy industry jobs to continue the long-term pattern of decline.

Based upon past experience with base closings, plant closings, and major workforce reductions, it is likely that most of the displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment, exacerbating the challenges facing the housing market.

Compounding the problem is that a high proportion of BIW workers are middle-age males, a very large share of whom do not have an education beyond high school. Men accounted for 90 percent of Sagadahoc County transportation equipment jobs in early 2004. Of those, 58 percent were age 45 or over, and 89 percent were 35 or over. We know from experience, that middle-age men lacking post-secondary education who have been displaced from blue-collar jobs face daunting re-employment challenges. Combined with a weak job market demanding entirely different skill sets, the path to re-employment for these workers will be long and costly.

Adding further uncertainty to the region is the Secretary of the Navy's recent proposal to abandon the traditional competitive bidding system in favor of a single source provider for the DDX. Unlike the DDG-51 program, in which BIW is the lead yard, Ingalls Ship Building in Mississippi is the lead yard in the DDX program. That being the case, and with virtually all of BIW's production being for the Navy, a move to a single producer system could lead to BIW's closure. Combined with NASB realignment, the region could fall into one of deepest, most protracted economic slides seen in our nation in decades.

The workforce at BIW is mostly comprised of men over age 40

